

DEPARTMENT OF STATE
BRIEFING PAPER

X
Secretary's Visit
to Rome
July 5-6, 1974

OBJECTIVES PAPER

State Dept. review completed

ITALY

DOE & NAVY REVIEWS COMPLETED

Setting

You will be meeting with the Italians at a time when the Government has been beleaguered by serious economic and political problems. In May Prime Minister Rumor and his Christian Democratic colleagues suffered a sharp loss of prestige when Italian voters rejected a Christian Democrat-backed referendum aimed at abrogating Italy's divorce law.

The most pressing and immediate problem is the serious condition of the Italian economy and the Government's inability to cope effectively with burgeoning inflation, a rising balance of payments deficit (aggravated by the cost of oil imports), and excessive consumer demand.

Rumor tendered his cabinet's resignation on June 10 when the coalition parties failed to agree on an economic stabilization program. President Leone subsequently refused Rumor's resignation, urging him to make renewed efforts to break the impasse with the Socialists over austerity measures. Although agreement was reached on a fiscal and credit package on June 19, coalition tensions remain, and most observers are not optimistic about the long-term durability of Rumor's government.

Basic Objectives of Your Visit

-- To convey to Prime Minister Rumor and his Christian Democratic colleagues our expectations and confidence that democratic leadership in Italy can rise to the challenges of current difficulties.

-- To indicate that we recognize the seriousness of the problems the Prime Minister confronts, were pleased at the rapid solution of the recent cabinet difficulties and are encouraged at the determination of the democratic coalition partners to continue their cooperation.

SECRET
GDS

SECRET

- 2 -

-- To encourage Rumor to press forward with the government's economic stabilization program and indicate that the US and Italy's other allies remain steadfast in their support and determination to cooperate with Italy.

-- To emphasize the importance we attach to transatlantic solidarity. In recent months the GOI has shown signs of concern that Atlantic ties may not be fully compatible with European unity and that one or the other of these two important foreign policy goals may suffer damage as a result of conflicts in US/EC relations. Your meetings with Italian officials will provide a useful occasion to assure them that continued Atlantic solidarity is consistent with European unity.

Italy's Likely Objectives

Italy's objectives are basically complementary to ours. Italian leaders will welcome your visit as a gesture of solidarity in troubled times and, in light of their sensitivities about Italy's status in the constellation of European powers, as an affirmation of Italy's importance on the European scene. They will of course welcome this occasion for receiving from you first hand perspectives on US foreign policy objectives, and they will be particularly interested in hearing your assessment of the Moscow Summit and of the situation in the Middle East.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

ISSUES AND TALKING POINTS

ITALIAN FINANCIAL SITUATION

Analysis/Background

The domestic scene in Italy has been heavily burdened by economic problems which have confronted Prime Minister Rumor with two cabinet crises in the last six months. The problem is essentially financial, characterized by a budget deficit this year of some \$13 billion, inflation running at an annual rate of over 20%, and a projected balance of payments deficit this year of \$10 billion. In addition to the extraordinary rise of internal demand, high energy costs alone will account for some \$6 billion of the \$10 billion balance of payments deficit. Foreign credits, both private and public, have become increasingly difficult to obtain in the absence of Italian internal measures to correct the situation. The G-10 decision to allow gold to be priced at market value as collateral for loans will ease the external financing situation. However, the Italian Government's ability and resolution to push through a reasonable "austerity" package remains the primary, crucial action in correcting Italy's economic difficulties.

Italian Position

The basic problem that has confronted Rumor's government is how to balance the requirements of austerity against the political necessity of maintaining full employment and moving forward on reforms of Italy's archaic social and political structure. On June 19 the coalition reached agreement on a tax and credit package designed to increase tax revenues by \$4.6 billion and, as recommended by the IMF, to limit credit growth through March 1975. After parliamentary approval, the package is scheduled to be put into effect by decree law. Some additional external financing will then be required.

SECRET
GDS

SECRET

- 2 -

US Position

The focus of any additional external financial aid to Italy should be primarily the IMF and the EC. In appropriate circumstances, we would participate in the formation of an ad hoc consortium of financially strong countries to put together a financial support package. The abrupt halt in the outflow of foreign exchange may provide additional time to work out the elements of financial support which Italy may need. Given the size of Italy's oil deficit and its general precarious financial state, some additional financial support is likely to be needed during this year. Depending on how the gold collateral scheme is applied, it is possible that whatever financial assistance will be needed can be arranged without extraordinary measures on our part.

Your Talking Points

-- Express sympathy for Italy's financial problems and moral support for effective domestic and international measures to overcome them.

-- Note that the Italian government has agreed on a set of strong domestic measures which, if implemented, should help to correct the situation without resorting to protectionist measures.

-- Note that following the gold collateralization decision, the 5 1/2 month massive outflow of Italian foreign exchange ceased abruptly. The suddenness of this stoppage suggests that speculation may have played a major role in the dramatic outflow. Should this be true, and if Italian domestic measures are carried out with determination, the international community will have time to consider deliberately longer-term Italian financing needs.

-- Indicate our interest in working with other financially strong countries in supporting Italian efforts to overcome the crisis to the extent feasible and necessary.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

ISSUES AND TALKING POINTS

TRIESTE/ZONE B DISPUTE

Analysis/Background

An Italian note on March 11 protesting Yugoslav border signs in Zone B asserted that "Yugoslav sovereignty was never extended to the Italian territory designated as Zone B of the unrealized Free Territory of Trieste." Belgrade reacted vehemently. Accusing Rome of questioning Yugoslavia's integrity, the GOY mounted a propaganda campaign on the Trieste/Zone B issue which, for the first time since 1954, appreciably heightened tensions in the area. After a further exchange of notes, Tito made a speech on April 15 mixing strong criticism of Italian claims and NATO maneuvers in the Trieste area with signals that Yugoslavia wished to defuse the situation. Although the Yugoslavs have not agreed to discuss a comprehensive settlement, the polemics have since cooled and the situation appears to be returning to normal.

Italian Position

The Italians are prepared eventually to concede Yugoslav sovereignty over Zone B but only in the context of a comprehensive settlement of border issues and Italian assets in Yugoslavia. They oppose dealing with the Zone B question in isolation, as advocated by the Yugoslavs.

US Position

In accordance with your April 25 conversation with Italian Ambassador Ortona in Washington, our Embassy in Belgrade informed the GOY of Italy's desire to reach an overall settlement with Yugoslavia on border problems, including the Zone B dispute. The Yugoslavs expressed appreciation for the information, did not comment on the substance, and emphasized that they considered the matter to be a bilateral

SECRET
GDS

SECRET

- 2 -

issue. We subsequently informed the Italian Embassy in Washington of our conversation with the Yugoslavs. We have continuously stressed to both sides our desire not to become involved in the dispute and our hope that both sides will settle the problem bilaterally and peacefully.

Your Talking Point

In the event the Italians raise the subject of Italy's desire to seek a peaceful solution to the problem, you might point out that:

-- While we were pleased to convey to the Yugoslavs Rome's desire to reach an overall settlement on border problems, we do not wish to become involved in this issue and hope that it will be possible to reach a settlement through bilateral talks.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

ISSUES AND TALKING POINTS

THE MIDDLE EAST

Analysis/Background

Your recent success in the Middle East has diminished European anxieties about the risk of new hostilities in that area, restored faith in US policy and, in a more propitious atmosphere, opened up new perspectives for the promotion of European interests there. The Europeans give American diplomacy full credit for blunting Soviet influence in the Middle East and for ending the oil embargo, except against the Netherlands and Denmark. The feeling among most European governments that American policy suffered from a crippling bias toward Israel has been replaced by an impression of a more balanced American approach which, they hope, will be more salutary for the West generally.

Italian Position

The Italians consider themselves a Mediterranean power and watch Middle Eastern events closely, usually with a view to being more activist than other Western European nations. Italy is more dependent (90 percent) on Arab oil than other European countries. Its state oil company, ENI, has been active in the area, most recently in Iraq. The advent of Qadhafi in Libya all but destroyed Italy's special relationship and position there. Italy works hard at maintaining good relations with the Arabs while retaining cordial relations with Israel. Italy has been generally supportive of our peacemaking efforts in the area and inclined to be helpful when our peacemaking procedures or positions become controversial in the Western European context.

US Position

We recognize Italy's concerns in the Mediterranean, and its heavy dependence on Middle Eastern petroleum. We keep the Italians quite well informed on Middle Eastern questions. They, in turn, have

SECRET
GDS

SECRET

- 2 -

been helpful to us in the area on a number of occasions. It is our hope and intention to continue this mutually productive relationship concerning the Middle East. (FYI. We have had consultations with the Vatican on the Jerusalem question, but neither we nor the Italian government has mentioned this issue in bilateral meetings.)

Your Talking Points

-- Italy is to be commended, and sincerely thanked, for the excellent job of representing our interests in Syria since 1967.

-- If asked, you may wish to review the highlights of your visit to the Middle East and to give your estimate of the next steps toward a Middle East settlement.

-- You may want to acknowledge that certain Allies have old ties of friendship and interest in the area and say that Allied governments can perform a useful role there providing care is taken to avoid giving any encouragement to radical Arab elements.

-- You may say that we believe that all the Allies should work together in the Middle East in a spirit of mutual trust and consultation.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

CONTINGENCY
ISSUES AND TALKING POINTS

US NAVY FACILITIES AT LA MADDALENA

Analysis/Background

Pursuant to an agreement with the GOI, the US Navy has homeported an attack submarine tender, the USS Gilmore, off the coast of northern Sardinia since April 1973. The Gilmore's mission is to provide support facilities for conventional and nuclear US submarines operating in the Mediterranean. The tender itself is anchored off the coast of the small island of Santo Stefano; dependents and shore support facilities are on the somewhat larger island of La Maddalena. The Navy's plan has been to have 1,100 military personnel and 350 dependent families in the area. Although this homeporting arrangement has by and large worked out satisfactorily, some problems have arisen in connection with environmentalists' concern about the dangers of nuclear pollution and about the visibility of the operation (summer tourism is the main industry of La Maddalena).

Italian Position

The GOI is firmly committed to the operation and Defense Minister Andreotti has sought to be helpful in resolving some of the local problems. Italian officials have sought our assistance and have been cooperative in refuting charges of nuclear pollution. In order to lower the visibility of the operation during the summer tourist season, the GOI has sought our agreement to limit the number of submarines serviced simultaneously during the summer months. With regard to support facilities, local authorities closed down PX and commissary operations located in the city of La Maddalena, on the grounds that it was subtracting from the economic benefits which had been anticipated from the homeporting operation. This action was no doubt related to

SECRET
GDS

SECRET

- 2 -

regional elections held throughout Sardinia in mid-June, and Rome authorities, in view of the importance of the election, hesitated to press the local mayor too hard.

US Position

We recognize that the delicacy of the political situation has caused the GOI to tread lightly on some aspects of the La Maddalena homeporting operation. On the other hand the importance of this sub-tending arrangement to our operations in the Mediterranean, and of the shore support facilities for morale purposes for the crew and dependents, is such that we have been pressing the GOI for full compliance with all aspects of the original agreements between our two governments. Regular tests conducted by the Navy have shown no increase in the level of pollution since the tender has been stationed at Santo Stefano.

Your Talking Points

If the Italians raise this matter in the context of explaining why they have felt compelled to go slow in resolving difficulties at La Maddalena, you could say that:

-- We regret that our homeporting of the submarine tender has encountered problems related to domestic political questions.

-- We appreciate the government's problem, but hope that the difficulties can be quickly resolved to permit smooth functioning of the tender's activity.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

CONTINGENCY
ISSUES AND TALKING POINTS

DUNN-VANONI AGREEMENT

Analysis/Background

The 1952 Dunn-Vanoni Agreement provides relief from Italian taxation for USG expenditures in Italy for the common defense. There is an estimated \$3.4 million in accumulated claims against the USG representing taxes paid by Italian contractors who had been assured by our military commands in Italy that they would be reimbursed by the GOI under Dunn-Vanoni. In ruling on an appeal for reimbursement by an Italian contractor, the US Armed Services Board of Contracts Appeals decided in August 1973 that the USG is liable for payments. The GOI has repeatedly confirmed its responsibility under the Agreement but has yet to reimburse any Italian contractor.

In March 1974 the GOI was prepared to initiate reimbursement by administrative measures of the outstanding contractor claims. In April, however, the Italian Court of Accounts ruled that GOI payments would be illegal in the absence of parliamentary approval. This ruling has forced the initiation of USG payment on one claim with pressure mounting for repayment of other claims.

Italian Position

Although the Italians have repeatedly acknowledged their obligation under Dunn-Vanoni, they assert that technical and legal complications have hitherto frustrated their efforts to reimburse us. The GOI now claims, however, that it has been "assured" that once the process of reimbursement through administrative means begins, the Court will, in practice, raise no objections when presented with Dunn-Vanoni claims. The validity of these assurances has yet to be put to the test.

SECRET
GDS

SECRET

- 2 -

US Position

We have informed the GOI that if we are constrained to reimburse Italian contractors for payments from which we are exempted, the US will hold the GOI responsible for reimbursement. We have repeatedly urged the Italians (the issue has been discussed with both Prime Minister Rumor and Foreign Minister Moro) to resolve the issue as rapidly as possible in order to avoid the disbursement of \$3.4 million in US funds, which would then necessitate a lengthy process of USG counter-claims against the GOI.

Your Talking Points

If the Italians raise this issue in the context of stressing the difficulties they have encountered in trying to carry out their responsibilities under Dunn-Vanoni, you may wish to:

-- Express concern that the issue has taken so long to resolve.

-- Reiterate our hope that the GOI can soon resolve this long-standing issue by expediting administrative procedures now under way.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

ISSUES AND TALKING POINTS

ATLANTIC RELATIONS

Though generally helpful in developing the Atlantic declaration, the Italians originally placed relatively greater emphasis on a US-EC declaration. The Italians are now apparently reconciled to the fact that the US-EC declaration will remain in abeyance, and they can be expected to work toward improving US-EC consultative arrangements.

Your Talking Points

-- We were pleased that Prime Minister Rumor was able to sign the Atlantic declaration for Italy.

-- There is a close relationship between political and economic issues, on the one hand, and our common security concerns on the other. Consultations on such issues should be enhanced, as noted in paragraph 11 of the NATO declaration.

-- Events in the Middle East also underline the need to give closer attention in NATO to developments outside the treaty area.

-- We favor further reinforced NAC meetings. In addition to East-West issues, discussions at these meetings might usefully address issues identified in papers prepared by NATO's regional expert groups.

-- Concerning relations between the US and the EC, we continue to favor a united Europe and recognize that it will seek its own identity. We do not wish to transform a Europe of Nine into an organization of Ten, but we do seek arrangements that will allow both sides to take each other's views more fully into account before decisions are taken.

-- The proposals suggested by the EC Nine for greater utilization of bilateral and multilateral channels for consultations with the US should permit

SECRET
GDS

SECRET

- 2 -

us to move forward toward more satisfactory consultations with the EC Nine, although we would prefer arrangements that are less ad hoc.

-- The Nine's request for our views on EC-Arab cooperation proposals is an encouraging indication of the desire to consult.

-- Moreover, our agreement to a separate Mediterranean declaration in CSCE reflected our willingness to take the views of the Nine into account.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

ISSUES AND TALKING POINTS

NUCLEAR NON-PROLIFERATION

Analysis/Background

Although they have signed the NPT, the Italians have not yet ratified the treaty and have shown no signs of expediting the process. They are, however, moving ahead on ratification of the Euratom safeguards agreement.

Italian Position

The Italians have given us a variety of rationalizations for their failure to move towards NPT ratification including the argument that certain other Mediterranean countries have not ratified the treaty. They have also discussed ratifying the Euratom safeguards agreement without ratifying the NPT itself. Because of the Italian attitude, the Germans have told us that they may not deposit their instrument of ratification of the NPT until the Italians ratify. There is also a danger that Italian failure to ratify would result in at least a delayed Japanese ratification. Moreover, the US and several European nations including the FRG and Netherlands doubt that the IAEA-Euratom agreement can be effected without Italy joining the NPT. If the IAEA-Euratom agreement does not come into effect, it would be difficult for us to continue to supply nuclear materials to the Euratom countries because of our obligations under the NPT not to supply such materials to nations which have not concluded Safeguards Agreements with the IAEA.

US Position

There has been no change in our long-standing policy of opposition to the proliferation of nuclear explosive devices. We continue to support the NPT as one of the most significant contributions of the postwar era to disarmament and world peace. Limiting

SECRET
GDS

SECRET

- 2 -

the number of nuclear powers remains a major US objective. We consider it important that countries close to adherence to the NPT not alter their plans; that other near nuclears (Israel, Argentina, Brazil, Pakistan and South Africa) not follow the Indian example; and that the international safeguards system be more universally applied. There has also been no change in our view that the technology of making nuclear explosive devices for peaceful purposes is indistinguishable from the technology of making nuclear weapons.

Your Talking Points

-- There has been no change in our long-standing policy against the proliferation of nuclear explosive devices. We continue to support the NPT as one of the most significant contributions of the postwar era to disarmament and world peace.

-- It is important that Italy demonstrate its support of non-proliferation by taking action to ratify the NPT.

-- Italy's adherence is crucial to completion of the ratification process by all Euratom countries, particularly the FRG, and could be important for Japanese ratification. It would also facilitate future US cooperation with Italy in the peaceful uses of atomic energy.

-- We are aware that there is an Italian opinion that the legal problem we face in continuing our nuclear exports to Euratom countries could be solved simply by Italian ratification of the Safeguards Agreement. However, we question whether that agreement can be brought into force without ratification of the NPT. If we wish to prevent further proliferation, we cannot ourselves take any action which might call into question our compliance with our obligations under the NPT.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

ISSUES AND TALKING POINTS

MBFR

Analysis/Background

The MBFR talks in Vienna are proceeding at a slow pace. The Allies are in the process of presenting to the East assurances designed to induce Eastern acceptance of the Western proposal of a two-phased reduction beginning with US/USSR reductions. The East continues to insist in plenary sessions and in public that all direct participants should reduce elements of all their forces from the outset. Privately, they have suggested that "symbolic reductions" in manpower by all direct participants could be an acceptable first step. Most recently, the Soviets have also strongly hinted that the reductions of direct participants other than those of the US and USSR could be postponed until sometime after withdrawals of US and Soviet forces had begun.

Italian Position

The Italians have been skeptical participants in the MBFR talks. They have consistently advocated a slow pace in the talks and seem to feel that the entire exercise is designed only to cover planned US troop reductions in Europe. They have been particularly concerned about the possible US willingness to include nuclear weapons in an MBFR agreement.

US Position

We have urged a more positive attitude on the Italians, pointing out the NATO-wide benefits to be gained by reducing the level of confrontation in Central Europe without diminishing Western security. The nuclear option, if introduced, would be used to obtain the withdrawal of a Soviet tank army thus improving the balance of conventional forces in Europe.

SECRET
GDS

SECRET

- 3 -

favorable negotiating position. We believe that we should allow the Soviets time to digest the full implications of these assurances.

-- We will participate actively in Phase II negotiations, although we have taken no decision yet about whether we ourselves will reduce our forces as a result of Phase II negotiations.

C. Nuclear Option

-- The US has taken no decision about presenting the so-called "nuclear option" to the East. For the moment, we believe that the Allies should continue to give priority to the current effort to induce the Soviets to agree to our two-phased approach.

Department of State
June 1974

SECRET

DEPARTMENT OF STATE
BRIEFING PAPER

ISSUES AND TALKING POINTS

CSCE

The Italians have been hyperactive in CSCE in order to assert a prominent international and Mediterranean role at a time of domestic stress. They tabled the draft declaration on the Mediterranean after we withdrew our objection at the urging of the EC Nine. The key issue for Rome will be whether the Soviets will move enough on substantive issues to justify acceptance by the Nine of a CSCE summit finale.

Your Talking Points

-- Review, as appropriate, the discussions on CSCE at the Moscow meeting.

-- Note that you have indicated to the Soviets that progress on freer movement and on a CBM's covering maneuvers is especially important.

-- Urge that we continue our discussion in NATO on CSCE so that the Allies can arrive at a common view of the minimum results that would justify holding stage III at summit level.

Department of State
June 1974

SECRET
GDS

DEPARTMENT OF STATE
BRIEFING PAPER
ISSUES AND TALKING POINTS
THE VATICAN

Background

Contacts between the US and the Holy See have been channeled primarily through Ambassador Henry Cabot Lodge since his appointment in 1970 as the President's Special Envoy to the Vatican. Ambassador Lodge has visited the Holy See several times each year for consultations aimed at explaining US foreign policy objectives and exchanging views on issues of mutual concern. The Holy See has been particularly interested in the Middle East situation and the future status of Jerusalem. Vatican officials have also displayed considerable interest and sympathy for our initiatives in Europe. We assume that the Pope will welcome the opportunity to hear your views on those subjects, as well as your comments on the Moscow Summit.

ISSUES: JERUSALEM

Vatican Position

The Vatican views the status of Jerusalem as the most difficult problem of the Middle East peace talks and believes that it should be dealt with at the end of the negotiating process. The Vatican also believes that it can, at the proper time, play an active role in the settlement of Jerusalem and the holy places question.

In a March 1974 conversation with Ambassador Lodge, Vatican "Foreign Minister" Casaroli explained that the Vatican would be gratified if Jerusalem were protected by an international statute with equality of rights for the three religions. He noted that the Holy See wished to avoid a situation in which one religious group was master and other groups were guests. Casaroli stressed that internationalization was not the only solution but that a bilateral arrangement in itself could not meet the concerns of all interested parties.

SECRET
GDS

SECRET

- 2 -

In his most recent public statement in April, the Pope repeated the Vatican desire for "an appropriate statute with an international guarantee for...Jerusalem and an adequate juridical guardianship of the holy places." He also called "a just and equitable settlement of the refugee populations... absolutely necessary." Vatican sources claim that the Pope is definitely not now insisting on internationalization.

The Saudi Arabian Government held talks with Cardinal Pignedoli, President of the Vatican Secretariat for Non-Christians, from April 22-25. The Cardinal attributed the friendly atmosphere during his visit to the Saudis desire to cooperate on a religious plane, but he denied that the Saudis are anticipating Vatican support for the return of Jerusalem to Arab control. Both parties agreed that the UN must be involved in finding a solution to the problem of the holy places.

US Position

Without recognizing either Israeli or Jordanian claims to sovereignty in Jerusalem, we believe that the ultimate status of Jerusalem must be based primarily on agreement between the two governments.

Since June 1967 we have not agreed with unilateral Israeli actions in the part of Jerusalem formerly under Jordanian control which tend to create basic changes in the administration and nature of the city or to prejudice its final status.

We do, however, support certain principles which we believe would provide an equitable basis for Jerusalem's future:

-- It should be a unified city within which there would be no restrictions on the movement of persons and goods;

-- There should be open access for persons of all faiths and nationalities; and

SECRET

SECRET

- 3 -

-- The city's administration should take into account the interests of all its inhabitants and of the wider Jewish, Muslim and Christian communities.

Your Talking Points

-- We agree that determination of the ultimate status of Jerusalem is an integral and most difficult part of the complex of Arab-Israel issues.

-- Though we believe Israel's respect for the holy places in Jerusalem has been exemplary, we are aware of the population drift away from Arab Jerusalem, particularly of Arab Christians.

-- We definitely believe that there should be roles for both Israel and Jordan in the civic, economic and religious life of the city.

-- It is our hope that as the problem of Jerusalem is approached, following further progress on other issues, there will have been created sufficient mutual trust among the parties so that they will be able to approach the issue of Jerusalem's future with greater imagination and flexibility than they have shown.

Department of State
June 1974

SECRET

Page Denied

Page Denied

Page Denied

SECRET

- 2 -

Your Talking Points

The Italians will appreciate your views on how MBFR was treated during the Summit. In addition, you may wish to cover the following:

-- We are committed to meaningful reductions in the level of confrontation in Central Europe which we believe would be in the best interest of the West.

-- If a decision is reached regarding introduction of the nuclear option we will consult fully with our allies in NATO.

A. NATO Cohesiveness and Detente

-- The MBFR talks are strengthening the Alliance. Consultations have been thorough and cohesiveness maintained despite the complex security interests involved.

-- The talks can help to achieve our mutual defense and security objectives as well as complement NATO efforts toward a more effective defense framework and posture.

-- The East/West dialogue established by MBFR is an important adjunct to the overall effort of building understanding and enhancing stability in Europe.

B. Phasing

-- We believe it too early to judge whether the assurances that we are in the process of giving the Soviets about Phase II will suffice to induce the Soviets to agree to US/USSR ground force reductions as the first phase of MBFR negotiations. We believe, however, that the Allies should put forward all the assurances discussed in the NAC, including an assurance which would make it clear that all non-US direct participants would be included in Phase II reductions. The Allies would then be in a more

SECRET